

Message Text

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ACTION EB-07

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PRS-01 USIA-06 STR-04 SP-02 FEA-01 GSA-01 /083 W
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R 132040Z DEC 76
FM AMEMBASSY SANTIAGO
TO SECSTATE WASHDC 2577
INFO AMEMBASSY LIMA
AMEMBASSY LA PAZ
AMEMBASSY LUSAKA
AMEMBASSY PORT MORESBY
AMEMBASSY CANBERRA
AMEMBASSY PARIS
AMEMBASSY LONDON
AMEMBASSY KINSHASA
AMEMBASSY NOUAKCHOTT
USMISSION GENEVA
AMEMBASSY TOKYO

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EO 11652: N/A
TAGS: EMIN, CI
SUBJECT: TENTH MINISTERIAL CONFERENCE OF INTER GOVERNMENTAL
COUNCIL OF COPPER EXPORTING COUNTRIES (CIPEC)

REF: SANTIAGO 11677

1. SUMMARY: EXCEPT FOR SOME FIERY ORATORY AT THE OPENING
SESSION, THE CIPEC CONFERENCE OF MINISTERS TOOK PLACE IN A
CALM ATMOSPHERE CHARACTERIZED BY OPEN AND FRANK DISCUSSIONS
OF TECHNICAL SUBJECTS WITHOUT POLITICAL RECRIMINATION. MAIN
SUBJECTS DISCUSSED WERE PROBLEMS OF LOW WORLD MARKET PRICE
OF COPPER AND EXCESSIVE MARKET FLUCTUATIONS. IN THE APPARENT
ABSENCE OF SIGNIFICANT ACCOMPLISHMENT, THESE AND OTHER ISSUES
WILL BE SUBJECT FOR STUDY AND FUTURE DISCUSSION AT INTER-
GOVERNMENTAL GROUP OF COPPER EXPERTS MEETING TO TAKE PLACE
IN FEBRUARY 1977. END SUMMARY.

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2. THE TENTH MINISTERIAL CONFERENCE OF CIPEC TOOK PLACE

IN SANTIAGO DURING THE PERIOD DECEMBER 2-4; THE SECOND TIME (THE OTHER OCCASION WAS 1972) CHILE HAS HOSTED SUCH A CONFERENCE. MINISTERIAL PARTICIPANTS WERE AS FOLLOWS: (ALL MINES MINISTERS UNLESS OTHERWISE NOTED)

| COUNTRY | NAME |
|------------------|---|
| AUSTRALIA | PETER FIELD (VICE MINISTER) |
| CHILE | ENRIQUE VALENZUELA |
| INDONESIA | MOHAMED SADLI |
| PAPUA NEW GUINEA | REUBEN TARRUREKA (REP OF MINISTER OF NATURAL RESOURCES) |
| PERU | ARTURO LATORRE |
| ZAIRE | GEN. MALONGYA MAYIHUSA MOI BONGENYE |
| ZAMBIA | AXON J. SOKO |
| MAURITANIA | CAMARA CHEIKHOUNA (REP OF MINISTER OF MINES) |

3. THE CONFERENCE WAS OPENED BY THE OUTGOING CHAIRMAN, THE PERUVIAN MINISTER OF MINES ARTURO LATORRE, WHO STRESSED THE NECESSITY FOR MAINTAINING A COMMON STRATEGY TO DEFEND COPPER PRICES AS WELL AS THE NEED TO MAINTAIN THE PRODUCER-CONSUMER DIALOGUE. HE ALSO VOICED STRONG ENDORSEMENT FOR THE UNCTAD INTEGRATED COMMODITY PROGRAM. HE WAS FOLLOWED AT THE PODIUM BY THE ZAIREAN MINISTER, WHO AFTER ASSERTING THAT CIPEC COULD NEVER BE A CARTEL, ALSO SUPPORTED THE DIALOGUE CONCEPT. HE ECHOED HIS PERUVIAN COLLEAGUE IN ENDORSING THE INTEGRATED COMMODITY PROGRAM.

4. THE ZAMBIAN MINISTER DELIVERED THE MOST FORCEFUL ADDRESS OF THE MORNING, CHARACTERIZING CIPEC AS A "LAUGHING-STOCK", DUE TO ITS INABILITY TO COUNTER THE CATASTROPHIC FALL IN COPPER PRICES. LIKENING THE LONDON METALS EXCHANGE (LME) TO A GAMBLING CASINO, HE ARGUED THAT ITS INFLUENCE MUST BE REMOVED FROM THE COPPER MARKETING MECHANISM. HE ALSO SEVERELY CRITIZED AS OBSOLETE THE USE OF POUNDS STERLING IN THE LME QUOTATION OF COPPER PRICES. STATING THAT "DESPERATE PEOPLE MAY DO DESPERATE THINGS," HE URGED CIPEC TO TAKE "IMMEDIATE AND EFFECTIVE" ACTION ON ADVERSE COPPER PRICE TRENDS.

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5. THE AUSTRALIAN DELEGATE REVIEWED AUSTRALIA'S ONE-YEAR RELATIONSHIP WITH CIPEC. HE WENT ON TO SAY THAT HE HAD BEEN PLEASED BY THE RESULT OF THE MARCH MEETING, WHICH HE TERMED CONSTRUCTIVE. SUBSEQUENTLY, HOWEVER, AUSTRALIA HAD BEEN DISTURBED TO SEE THE COURSE TAKEN AT THE UNCTAD MEETINGS. HE CLOSED BY NOTING THAT WHILE HIS GOVERNMENT HAD OPPOSED THE DEVELOPMENT AWAY FROM A NARROW PRODUCER-CONSUMER DIALOGUE INTO A LESS WELL DEFINED DISCUSSION UNDER UNCTAD

AUSPICES, IT IS NEVERTHELESS PREPARED TO COOPERATE WITH THE EXISTING FORMULATION.

6. THE ADDRESSEES OF THE OTHER DELEGATES WERE FOLLOWED BY THE UNANIMOUS ELECTION OF ENRIQUE VALENZUELA AS CHAIRMAN FOR THIS CONFERENCE AND HEAD OF CIPEC FOR THE SUCCEEDING YEAR; A CUSTOMARY COURTESY OF ELECTING TO THIS POSITION THE MINISTER OF THE HOST COUNTRY.

7. MINISTER VALENZUELA THEN DELIVERED A PREPARED SPEECH WHICH BEGAN WITH A REVIEW OF CIPEC'S ELEVEN YEAR HISTORY AND WENT ON TO NOTE THAT PRESENT LOW INTERNATIONAL COPPER PRICES ARE HAVING A SERIOUS EFFECT ON PRODUCERS. LOW PRICES WILL ULTIMATELY INJURE CONSUMERS BECAUSE BY DISCOURAGING INVESTMENT, SUPPLIES WILL IN THE LONG RUN NOT BE SUFFICIENT TO SATISFY THE DEMANDS OF THE MODERN WORLD.

8. VALENZUELA GAVE STRONG SUPPORT FOR A PRODUCER-CONSUMER DIALOGUE AS THE BEST WAY OF ARRIVING AT A COPPER PRICE FAVORABLE TO BOTH PARTIES. HE FURTHER ASSERTED THE GOC POSITION THAT TALKS SHOULD TAKE PLACE ON A TECHNICAL BASIS AMONG A SMALL GROUP OF PRODUCERS AND CONSUMERS. DESPITE THIS PREFERENCE, CHILE WILL PARTICIPATE ACTIVELY IN THE GROUPS FORMED AT THE GENEVA UNCTAD MEETING AND THE STUDY ON THE INTEGRATED COMMODITY PROGRAM. RAPID ACTION IS ESSENTIAL, SAID VALENZUELA, IN VIEW OF THE 6-8 YEAR LEAD TIME REQUIRED FOR A NEW MINE TO BEGIN PRODUCING FOR THE MARKET.

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9. VALENZUELA CLOSED THE OPENING SESSION ON A FAINTLY POLITICAL NOTE, INVITING THE DELEGATES TO TRAVEL IN CHILE WHEREVER THEY WISHED BEYOND THE ESTABLISHED TRAVEL PROGRAM IN ORDER TO SEE FOR THEMSELVES THAT STORIES TOLD OVERSEAS ABOUT CHILE LACK FACTUAL BASIS. (PR RESULTS PROVED GRATIFYING TO VALENZUELA.)

10. THE REMAINING MEETINGS WERE HELD IN SECRET. WE ARE TOLD THAT THE ATMOSPHERE WAS MODERATE, CONSTRUCTIVE AND HARMONIOUS, DESPITE THE DEEP CONCERNS VOICED BY THE ZAMBIAN DELEGATE OVER THE PRESENT PRICE SITUATION. ALL THE DELEGATES REPORTEDLY EMPHASIZED THE DESIRABILITY OF DEVELOPING A CONSUMER/PRODUCER DIALOGUE. WHILE BOTH THE PERUVIAN AND ZAMBIAN DELEGATES MADE FAVORABLE REFERENCES TO THE UNCTAD INTEGRATED COMMODITY PROGRAM, THESE COMMENTS WERE MADE WITHOUT RHETORIC.

11. WE UNDERSTAND THAT RESENTMENT WAS OCCASIONED BY THE LIMITED OFFICIAL USE

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WAY IN WHICH CIPEC EXECUTIVE DIRECTOR GUERONIK SEEMED TO EXCEED HIS FUNCTION IN RAMMING THROUGH APPROVAL FOR A GRANT OF \$250,000 TO AID COPPER DEVELOPMENT CENTERS. THE PROJECT IS INTENDED TO PROMOTE THE SALE OF COPPER.

12. MUCH DISCUSSION SURROUNDED THE PROBLEM OF COPPER PRICING AND MARKETING PROCEDURES. A COMMITTEE WAS FORMED TO STUDY WAYS OF GETTING AWAY FROM DEPENDENCE ON THE LONDON METAL EXCHANGE (LME) AS THE BASIS FOR SETTING WORLD COPPER PRICES. ONE SUGGESTION WAS A SYSTEM OF AGREED FLOOR PRICES TO BE INVOKED WHENEVER LME PRICES FELL BELOW THAT LEVEL. ANOTHER SUGGESTION RAISED THE POSSIBILITY OF A MIXED PRICE SYSTEM, COMBINING LME WITH THE U.S. PRODUCERS PRICE.

13. THE CONFERENCE DECIDED UPON JAKARTA AS THE SITE FOR THE NEXT MINISTERIAL. THE BOLIVIAN OBSERVER REQUESTED THAT HIS GOVERNMENT BE FURNISHED WITH MEMBERSHIP DOCUMENTS.

14. COMMENTS: CHILEAN COPPER COMMISSIONER, PABLO GONDONNEAU, TOLD EMBOFF THAT THE MEETING WAS VERY QUIET, WITH NO POLEMICS

APART FROM THE FIERY SPEECH OF THE ZAMBIAN DELEGATE AT THE OPENING SESSION. HE BELIEVES THAT THERE ARE SEVERAL POSSIBLE REASONS WHY THE MEETING WAS SO SUBDUED, ONE BEING THAT THE INDONESIAN MINISTER IS ALSO THE HEAD OF OPEC. ACCORDING TO GONDONNEAU, THIS MAY HAVE HELPED TO PUT THE OTHER DELEGATES ON THEIR BEST BEHAVIOR. INDEED THE POSSIBILITY OF OPEC SUPPORT FOR A COPPER STABILIZATION PROGRAM WAS MENTIONED AT THE MEETING. THE INDONESIAN MINISTER, HOWEVER, WAS PESSIMISTIC THAT ANY SUCH FINANCING WOULD BE FORTHCOMING.

15. ANOTHER POSSIBLE FACTOR HELPING TO GENERATE THE CALM ATMOSPHERE WAS THAT AT THE NOVEMBER GENEVA MEETING THE PERUVIAN DELEGATE HAD BEEN EXTREMELY ABRASIVE AND PERSONALLY INSULTING IN PUSHING FOR THE UNCTAD INTEGRATED COMMODITY PROGRAM, MORE PERHAPS THAN HIS INSTRUCTIONS HAD WARRANTED. FOR EXAMPLE, HE ACCUSED GONDONNEAU OF BEING "OVERBEARING" (PREPOTENTE). GONDONNEAU SUSPECTS THAT MINISTER LATORRE WAS TAKING SPECIAL PAINS TO BE REASONABLE, IN PART IN ORDER TO SIGNAL THAT GOP POLICY IS NOT AS HARDNOSED AS THEIR GENEVA REPRESENTATIVE'S BEHAVIOR HAD SUGGESTED.

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16. GONDONNEAU ALSO SPECULATES THAT THE PERUVIAN GOVERNMENT MAY HAVE BEEN CONCERNED LEST THE CONTROVERSY PROVOKED BY THE LATEST PERUVIAN PROPOSAL OVER A BOLIVIAN CORRIDOR TO THE SEA BE THOUGHT TO HAVE INSPIRED A POLITICALLY TOUGH STANCE AT THE CIPEC CONFERENCE.

17. GONDONNEAU BELIEVES THAT DESPITE THE LIP SERVICE PAID TO THE UNCTAD INTEGRATED COMMODITY PROGRAM, CIPEC MEMBERS ARE NOW MOVING IN THE DIRECTION OF DEVELOPING CONSUMER/PRODUCER DIALOGUE ON A TECHNICAL LEVEL. (WHETHER OR NOT THIS IS WISHFUL THINKING ON GONDONNEAU'S PART, IT REPRESENTS THE CHILEAN POSITION.) GONDONNEAU REFERRED TO THE IDEA OF A DYNAMIC PRICE STABILIZATION SCHEME, WHICH WOULD MOVE WITH THE MARKET BUT DAMPEN FLUCTUATION. HE SAID THAT SOMETHING WOULD HAVE TO BE WORKED OUT. PRESENT FLUCTUATIONS ARE EVEN MORE SERIOUS FOR ZAMBIA AND ZAIRE, WHICH ARE RELATIVELY HIGH COST PRODUCERS, THAN FOR CHILE. MOREOVER, OF THESE AFRICAN COSTS, 80 PERCENT INVOLVE FOREIGN EXCHANGE, AS CONTRASTED WITH CHILE'S 20 PERCENT. THESE INCLUDE A HIGH PROPORTION OF EXPATRIATE ADMINISTRATIVE AND TECHNICAL PERSONNEL, AS WELL AS FEWER INTERMEDIATE PRODUCTS (REPLACEMENT PARTS, REFRACTORY BRICK, ETC) LOCALLY PRODUCED IN AFRICAN COUNTRIES.

18. CONCLUSION: OUR OVERALL IMPRESSION OF THE CONFERENCE IS THAT NOTHING MUCH WAS ACCOMPLISHED, WITH ALL SIGNIFICANT ACTIONS BEING POSTPONED UNTIL THE MEETING OF INTER-

GOVERNMENTAL GROUP OF COPPER EXPERTS IN FEBRUARY 1977.
POPPER

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